GOVERNMENT OF INDIA
POWER
LOK SABHA

STARRED QUESTION NO:368
ANSWERED ON:18.04.2002
AGREEMENT WITH SEBS FOR POWER DISTRIBUTION
SUBODH MOHITE

Will the Minister of POWER be pleased to state:

(a) whether the Government propose to make legal agreements with State Electricity Boards throughout the country as payment guarantees, for drawing power from national power distribution agencies;

(b) if so, the details thereof;

(c) whether the views of SEBs on such agreements have been obtained; and

(d) if so, the details thereof?

Answer

THE MINISTER OF POWER (SHRI SURESH P. PRABHU)

(a) to (d) : A Statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF STARRED QUESTION NO. 368 TO BE ANSWERED IN TH LOK SABHA ON 18.04.2002 REGARDING AGREEMENT WITH SEBs FOR POWER DISTRIBUTION.

(a) to (d) : The Government of India has recently approved a scheme to securitise the outstanding dues payable by the State Electricity Boards (SEBs) to the Central Public Sector Undertakings (CPSUs) as on 30.09.2001 for supply of power and coal and a mechanism that would ensure payment of current dues in future. The scheme for securitisation of outstanding dues of SEBs as on 28.02.2001 was circulated earlier to the States on 03.08.2001.

The salient features of the scheme, now approved, are:

1) The scheme will come into force from the date of issue of the order or from the date when the State Governments sign the tripartite agreement (with the Ministry of Finance in the Government of India and the Reserve Bank of India), whichever is later.

2) For the states participating in the scheme, 60% of the interest/surcharge on the delayed payments as on 30-09-2001 would be waived off.

3) The rest of the dues amounting to the full principal amount as well as the remaining 40% of the interest/surcharge would be securitised through bonds issued by the respective State Governments.

4) The bonds will be issued through RBI at a tax-free interest rate of 8.5% per annum. The terms of bonds would be structured to achieve a moratorium of 5 years on repayment of principal with the entire principal being repaid between the 6th and 15th year. These bonds would be identical to bonds issued in connection with the market borrowings of State Governments, with the attendant discipline in repayments. The bonds will be subject to lock-in restrictions that will allow release of only 10 per cent of the bonds in the secondary market each year.

5) For ensuring timely payment of current dues in future, defaults in current payment for power/fuel would attract a graded reduction in the supply of power from central power stations and in coal supplies. Where such defaults exceed 90 days from the date of billing, the Ministry of Finance will recover these dues through adjustment against releases due to them from the centre.

6) In order to initiate steps towards reform of the sector, the SEBs shall accept reform based performance milestones such as setting up of SERCs, metering of distribution feeders, improvement in revenue realization specified in the MOUs to be signed with the Ministry of Power.

7) The states would be offered incentives for complying with the scheme. If SEBs do not default on their current dues and adhere to the performance milestones, CPSUs will pay them, bi-annual cash incentives equal to 3 percent of the value of bonds in the first year, 2.5% in the second year and 2% in the third and fourth years. Further, if SEBs open and maintain Letters of Credit (LCs), CPSUs will pay them a one time cash incentive equal to 2 per cent of the value of bonds. In addition, States undertaking reforms should also be assisted through Accelerated Power Development and Reform Programme (APDRP) grants and discretionary allocation of power.

8) The States that withhold their consent beyond 60 days after this scheme enters into force will be denied any share in the discretionary allocation of 15 per cent from the power stations of CPSUs, as well as any assistance under APDRP. If the overdues of such States exceeded Rs 50 crore in respect of any CPSUs, they will also attract reduction in power and coal supplies, as applicable to the States participating in this scheme.

9) Outstanding dues as on 30.09.2001 would form the basis of the one time settlement. Dues that accrue after this date will not form part of the scheme. Individual CPSUs & States can consider exchanging bonds for the outstanding.

10) The scheme covers the outstanding dues of payable by the SEBs to the National Thermal Power Corporation (NTPC), National Hydro-electric Power Corporation (NHPC), North Eastern Electric Power Corporation (NEEPCO), Damodar Valley Corporation (DVC) and Power Grid Corporation of India Ltd. (PGCIL) under the Ministry of Power, Coal India Limited (CIL) & its subsidiaries and Neyveli Lignite Corporation (NLC) under the Department of Coal, Nuclear Power Corporation (NPC) under the Department of Atomic Energy and the Ministry of Railways.

The State Governments have been apprised of the scheme for one-time settlement of SEBs dues. Andhra Pradesh and West Bengal have signed the tripartite agreement. The following States have given their consent `in-principle` to sign the agreement:

(a) Chhattisgarh (b) Haryana

(c) Jammu & Kashmir (d) Kerala

(e) Karnataka (f) Madhya Pradesh

(g) Maharashtra (h) Punjab